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U.S. TRADE WITH THE EUROPEAN SOVIET BLOC

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Alex D. Angelidis and Robert L. Tontz 1/

On October 9, President Kennedy announced that export licenses would be granted to U.S. private traders for sales of wheat, feed grains, and other agricultural commodities to the Soviet Union and various Eastern European countries under specified conditions.

On October 11, the Department of Commerce, Office of Export Control, announced that it would issue export licenses in an estimated total quantity of 4 million metric tons of wheat or wheat flour equivalent for export to the European Soviet Bloc countries of Albania, Bulgaria, Czechoslovakia, East Germany including the Soviet Sector of Berlin, Estonia, Hungary, Latvia, Lithuania, Rumania, and the Union of Soviet Socialist Republics (USSR). At the same time, the Commerce announcement indicated that Outer Mongolia was included on the approved list of countries along with the 10 European Soviet Bloc countries. Licenses would not be issued, however, for wheat or wheat flour exports to Communist China, North Korea, or the Communist-controlled area of Viet-Nam.

Among the specified conditions for export of wheat and wheat flour equivalent are:

-- Sales are to be made at prevailing world prices.
-- Payment is to be made in U.S. dollars or gold.
-- Terms of sale are to be cash or normal commercial credit.

The Office of Export Control also announced that license applications covering price-supported agricultural commodities or subsidized agricultural commodities, other than wheat and wheat flour, will be considered for approval for exportation to the above specified Eastern European countries and Outer Mongolia. Among other commodities, these include barley, corn, grain sorghums, oats, rye, cotton, vegetable oils, and tobacco. The Department of Commerce has already approved export licenses to ship corn to Hungary.

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If sales of 4 million tons materialize, it would mean that U.S. exports of farm products to the Soviet Union would be the largest since the multi-million-dollar shipments of agricultural commodities under the Lend-Lease and UNRRA (United Nations Relief and Rehabilitation Administration) programs during and following World War II.

Moreover, Russia's wheat purchases this year will make it the world's largest wheat importer whereas normally it is the world's third or fourth largest exporter.

Shipments of commodities to Russia and various other Eastern European countries are scrutinized to see that they comply with the Export Control Act of 1949, as Amended. This Act authorizes the use of export controls to further U.S. foreign policy objectives and to control exports of commodities in short supply in the United States or export of those that could be detrimental to this country's national security. At present, these controls include an embargo on shipments to North Korea, Communist China, and the Communist-controlled area of Viet-Nam, and broad controls on shipments to the USSR and other Soviet Bloc countries including Cuba.

The 10 countries listed above together with Poland make up the European Soviet Bloc. However, exports to Poland are not subject to the licensing requirements applicable to the other Bloc countries.

U.S. agricultural exports to the European Soviet Bloc in the last 3 fiscal years ranged from $89 million in 1961-62 to $162 million in 1960-61 (table 2). Most of these shipments were Public Law 480 sales to Poland for zlotys. Excluding shipments to Poland, exports to the Bloc ranged from $17.2 million in 1962-63 to $18.9 million in 1960-61.

Sales of 4 million metric tons at the current export price would total over $250 million. This is more than double the 1961-63 average value of $118 million for U.S. agricultural exports to the Bloc including Poland, and more than 13 times the average $18.3 million value for the Bloc excluding Poland.

The Soviet Union's massive world market wheat dealings of recent weeks tend to underscore the serious decline in the Bloc's grain output, due to production failures, adverse weather, and the breakdown of the Communist system of agricultural production. Canada has agreed to sell the Soviet Union nearly 240 million bushels of wheat; and Australia, about 60 million. The size of Russia's purchases from these countries suggests that the Russian supply gap is larger than generally realized. The request for purchases from the United States further emphasizes this deficiency.

In general, U.S. agricultural exports to the European Soviet Bloc excluding Poland are relatively insignificant, accounting for less than 0.5 percent of average U.S. farm exports in the past 3 fiscal years. Agricultural imports from the Bloc excluding Poland are even smaller, averaging $5 million in the past 3 years, or less than one-eighth of 1 percent of U.S. farm imports. On balance, this two-way trade is about 3 to 1 in favor of exports.

Table 1.-- U.S. foreign trade with the U.S.S.R., 1960-61 through 1962-63

Year beginning July 1	U.S. exports			U.S. imports			U.S. trade balance		
	Total	Agricultural	Nonagricultural	Total	Agricultural	Nonagricultural	Total	Agricultural	Nonagricultural
	-- Thousand dollars --			-- Thousand dollars --			-- Thousand dollars --		
1960-61	54,436	11,282	43,154	22,778	1,279	21,499	31,658	10,003	21,655
1961-62	22,583	9,555	13,028	17,916	1,479	16,437	4,667	8,076	-3,409
1962-63 1/	12,121	3,087	9,034	16,902	1,316	15,586	-4,781	1,771	-6,552

1/ Preliminary.

Table 2.-- U.S. foreign trade with the Soviet Bloc 1/, 1960-61 through 1962-63

Year beginning July 1	U.S. exports			U.S. imports			U.S. trade balance		
	Total	Agricultural	Nonagricultural	Total	Agricultural	Nonagricultural	Total	Agricultural	Nonagricultural
	-- Thousand dollars --			-- Thousand dollars --			-- Thousand dollars --		
1960-61	224,408	162,249	62,159	78,414	35,840	42,574	145,994	126,409	19,585
1961-62	118,967	88.589	30,378	80,864	38,169	42,695	38,103	50,420	-12,317
1962-63 2/	124,097	102,740	21,357	76,820	31,829	44,991	47,277	70,911	-23,634

1/ Includes Albania, Bulgaria, Czechoslovakia, East Germany, Estonia. Hungary, Latvia, Lithuania, Poland and Danzig, Rumania, and U.S.S.R.

2/ Preliminary.

Although U.S. agricultural exports to the Bloc countries have exceeded their prewar levels, they remain far below their wartime peaks, when huge shipments were made under the Lend-Lease and UNRRA programs. The $18.3 million export average for the past 3 years compares with averages of $6.6 million in 1935-39, $373 million in 1942-46, and $562 million in the 2 peak years 1943 and 1944.

Germany is excluded from the prewar data, but East Germany is included in data for the past 3 years. Exports to Germany in 1935-39 averaged $43 million, but it is not known how this was divided between East and West. Exports to East Germany in 1961-63 averaged $2 million, and those to West Germany, $361 million.

Lend-Lease and UNRRA exports to the USSR alone from 1941 through 1946 totaled $1,747 million, consisting principally of meats ($767 million), eggs and egg products ($281 million), vegetable oils ($132 million), butter ($109 million), and grains ($60 million). Grains included $2.3 million of wheat and $42.9 million of wheat flour.

Agricultural imports from the Bloc excluding Poland have been below prewar years. The past 3 years' average of $5 million compares with $10 million in 1935-39. Data for the past 3 years include East Germany; previous data exclude Germany. Imports from East Germany during the past 3 years have been negligible; imports from West Germany have averaged $29 million. Those from Germany in 1935-39 averaged $7.1 million.

Aside from Poland, the principal market for U.S. farm products in the European Soviet Bloc in fiscal year 1962-63 was Latvia, which took $6 million worth, chiefly cattle hides. Other leading countries were Czechoslovakia, the USSR, East Germany, and Hungary. U.S. farm exports to these countries in 1962-63 ranged from $1.9 million for Hungary to $3.5 million for Czechoslovakia (table 3).

On the import side, the USSR led the list with U.S. imports amounting to $1.3 million, mainly cotton linters and licorice root. Czechoslovakia was the only other European Bloc country from which the United States imported over $1 million worth of farm products in 1962-63.

Last year's U.S. agricultural exports to the Soviet Union amounted to $3.1 million, down substantially from the $10 million in 1961-62 and the $11.3 million in 1960-61. Soviet purchases of U.S. inedible tallow last year dropped to $437,000 from over $9 million in each of the 2 previous years. Aside from tallow, U.S. sales to the USSR in the past 3 years included hides and skins and live animals. In 1962-63 seed beans were also shipped. Agricultural imports from the USSR included cotton linters, licorice root, bristles, essential oils, sausage casings, and vegetable preparations (table 4).

In recent years, Poland has been the principal European Soviet Bloc outlet for U.S. agricultural exports. Last year, U.S. shipments of farm commodities to Poland accounted for over 80 percent of the U.S. total to the European Soviet Bloc and at the same time imports from Poland represented nearly 90 percent of U.S. imports from the area. In 1962-63, the leading exports were wheat, grain sorghums, and cotton, followed by barley, inedible tallow, cottonseed

Table 3.-- U.S. foreign agricultural trade with the Soviet Bloc, 1960-61 through 1962-63

Country	U.S. exports			U.S. imports			U.S. trade balance		
	Year beginning July 1			Year beginning July 1			Year beginning July 1		
	1960-61	1961-62	1962-63 1/	1960-61	1961-62	1962-63 1/	1960-61	1961-62	1962-63 1/
	-- Thousand dollars --			-- Thousand dollars --			-- Thousand dollars --		
Albania	0	0	0	29	109	102	-29	-109	-102
Bulgaria	6	6	91	948	976	861	-942	-970	-770
Czechoslovakia	3,147	4,029	3,492	1,667	1,023	1,049	1,480	3,006	2,443
East Germany	1,827	1,728	2,452	8	6	13	1,819	1,722	2,439
Estonia	0	0	0	0	0	0	0	0	0
Hungary	461	499	1,887	802	492	371	-341	7	1,516
Latvia	1,889	2,816	5,976	0	0	114	1,889	2,816	5,862
Lithuania	0	0	0	0	0	0	0	0	0
Poland & Danzig	143,384	69,740	85,585	29,588	33,589	27,748	113,796	36,151	57,837
Rumania	253	216	170	1,519	495	255	-1,266	-279	-85
U.S.S.R.	11,282	9,555	3,087	1,279	1,479	1,316	10,003	8,076	1,771
Total	162,249	88,589	102,740	35,840	38,169	31,829	126,409	50,420	70,911

1/ Preliminary.

Table 4 .-- U.S. foreign agricultural trade with the U.S.S.R. and Poland, 1960-61 through 1962-63

U.S. exports				U.S. imports			
Country and commodity	Year beginning July 1			Country and commodity	Year beginning July 1		
	1960-61	1961-62	1962-63 1/		1960-61	1961-62	1962-63 1/
	-- Thousand dollars --				-- Thousand dollars --		
U.S.S.R.:				U.S.S.R.:			
Live animals	116	130	121	Licorice root	366	360	408
Hides & skins	1,178	244	1,696	Essential oils	121	121	72
Tallow, inedible	9,957	9,176	437	Sausage casings	0	8	55
Seed beans	0	0	783	Bristles, sorted, bunched, etc.	196	294	138
Other agri. products.	31	5	50	Cotton linters	514	623	504
Total	11,282	9,555	3,087	Vegetables & preps.	14	28	58
				Other agri. products.	68	45	81
Poland and Danzig:				Total	1,279	1,479	1,316
Nonfat dry milk	1,246	0	0				
Hides & skins	1,033	493	341				
Tallow, inedible	2,702	4,394	2,796	Poland and Danzig:			
Cotton, unmfd.	30,911	16,492	11,382	Caraway seed	29	129	135
Barley grain	12,047	5,687	5,700	Casein or lactarene	1,513	2,098	837
Corn grain	2,973	0	1,857	Canned cooked hams & shoulders	23,453	24,707	18,059
Grain sorghums	4,134	0	16,795	Other meats	2,330	3,022	5,483
Rice, milled	0	2,237	766	Hides & skins	616	1,269	908
Wheat grain	71,308	28,166	36,109	Bristles, sorted, bunched, etc.	246	220	417
Soybeans	1,025	479	0	Feathers, crude	798	1,169	914
Cottonseed & soybean oils	8,391	4,979	2,571	Poppy seed	249	263	195
Tobacco, unmfd.	1,500	18	0	Chicory, crude, dried	175	243	255
Food for relief, etc.	4,428	6,366	7,070	Other agri. products.	179	469	545
Other agri. products.	1,686	429	198	Total	29,588	33,589	27,748
Total	143,384	69,740	85,585				

1/ Preliminary.

and soybean oil, corn, rice, and hides and skins. Wheat made up about two-fifths of the agricultural exports to Poland in the past 3 years and one-half in 1960-61.

Most agricultural exports to Poland were made under Public Law 480, nearly all foreign currency sales under Title I. Meats, including canned cooked hams and shoulders, equaled 84 percent of U.S. agricultural imports from Poland in 1962-63. Other products were feathers, casein, hides and skins, bristles, poppy seed, caraway seed, and chicory (table 4).

Supplying countries have furnished Soviet Bloc and other Communist countries from 8 to 11 million metric tons of wheat including flour annually during the last 3 fiscal years. The Soviet Union has been the chief supplier, followed in 1962-63 by Canada, Australia, the United States, France, and Argentina (table 5).

The USSR accounted for approximately three-fifths of total wheat and flour exports to the European Soviet Bloc countries and as much as two-fifths of all wheat and flour exports to Communist countries in the last 3 fiscal years. Generally exports of wheat and flour from the Soviet Union went to most member countries of the Bloc. U.S. exports went principally to Poland, with a small amount to the USSR. Shipments from Canada went to Poland, Czechoslovakia, and Albania along with East Germany and the USSR.

Leading European Soviet Bloc importers of wheat and flour were Poland, East Germany, and Czechoslovakia. These 3 countries accounted for over 70 percent of total imports by the European Soviet Bloc in the last 3 years.

Outside the European Soviet Bloc, the supplying countries' wheat markets were Yugoslavia, Communist China, North Korea, and Cuba. The United States has supplied Yugoslavia with nearly all of its imports. Canada and Australia have furnished Communist China with substantial quantities, supplemented in the last 2 years by additional amounts from Argentina, France, and the USSR. The USSR has supplied Cuba's import needs.

1/ Preliminary.

Table 5.--Exports of wheat including flour to the U.S.S.R. and other Communist countries: Quantity by supplying country, fiscal years 1960-61 through 1962-63

Fiscal year and supplying country	Albania	Bulgaria	Czecho-slovakia	East Germany	Hungary	Poland	Rumania	U.S.S.R.	Yugo-slavia	Total Eastern Europe	Commu-nist China	North Korea	Cuba	Total
	-- 1,000 metric tons --													
1960-61:														
United States	---	---	---	---	---	1,120.4	---	2/	385.7	1,506.1	---	---	47.6	1,553.7
Canada	64.1	---	330.4	---	---	63.3	---	204.4	---	662.2	780.8	---	23.7	1,466.7
Australia	28.6	---	---	---	---	---	---	---	---	28.6	1,158.3	76.1	---	1,263.0
Argentina	---	---	---	---	---	---	---	---	1.3	1.3	---	---	---	1.3
France	29.4	---	---	---	---	---	---	---	---	29.4	---	---	.3	29.7
U.S.S.R.	112.0	87.0	1,020.0	1,296.0	373.0	220.0	1.0	---	---	3,109.0	---	150.0	146.0	3,405.0
Others	---	---	7.5	2/	37.7	135.2	---	61.3	54.4	296.1	10.4	40.5	---	347.0
Total	234.1	87.0	1,357.9	1,296.0	410.7	1,538.9	1.0	265.7	441.4	5,632.7	1,949.5	266.6	217.6	8,066.4
1961-62:														
United States	---	---	---	---	---	467.0	---	---	1,060.0	1,527.0	---	---	---	1,527.0
Canada	57.2	---	---	271.0	---	426.2	---	---	---	754.4	1,967.7	---	---	2,722.1
Australia	25.0	---	---	---	---	---	---	---	---	25.0	1,928.1	34.1	---	1,987.2
Argentina	---	10.4	---	---	---	---	---	---	---	10.4	88.3	---	---	98.7
France	---	---	---	.8	---	---	.3	---	.2	1.3	198.8	---	---	200.1
U.S.S.R.	---	93.0	881.0	1,341.0	61.0	594.0	---	---	---	2,970.0	100.0	140.0	408.0	3,618.0
Others	---	68.2	5.0	---	114.3	99.5	---	167.5	24.3	478.8	384.1	133.2	---	996.1
Total	82.2	171.6	886.0	1,612.8	175.3	1,586.7	.3	167.5	1,084.5	5,766.9	4,667.0	307.3	408.0	11,149.2
1962-63 1/:														
United States	---	---	---	---	---	556.7	---	2/	1,221.4	1,778.1	---	---	---	1,778.1
Canada	---	---	119.6	---	---	386.0	---	---	---	505.6	1,677.7	---	---	2,183.3
Australia	---	---	---	---	---	---	---	---	---	---	2,150.0	---	---	2,150.0
Argentina	---	---	---	---	---	---	---	---	---	---	98.0	---	---	98.0
France	62.1	---	---	---	173.4	338.9	---	---	---	574.4	869.7	---	---	1,444.1
U.S.S.R. 3/	---	100.0	900.0	1,200.0	---	500.0	---	---	---	2,700.0	100.0	---	551.0	3,351.0
Others	---	---	---	---	11.6	---	---	---	10.7	22.3	120.0	---	---	142.3
Total	62.1	100.0	1,019.6	1,200.0	185.0	1,781.6	---	2/	1,232.1	5,580.4	5,015.4	---	551.0	11,146.8

1/ Preliminary.
2/ Less than 50 metric tons.
3/ Partially estimated.

Source: Summarized from statistics compiled by the Foreign Agricultural Service as presented in U.S. Department of Agriculture Press Release 3387-63, Washington, D. C., October 10, 1963.